

Legislative Council Bills Committee
Copyright (Amendment) Bill 2003

**Comparison of provisions on exemptions to copyright infringement
under the Hong Kong Copyright Ordinance and
the United States Copyright Act**

Purpose

This paper provides a comparison between provisions on exemptions to copyright infringement under the Hong Kong Copyright Ordinance (Cap. 528) (“HK Ordinance”) and those of the United States Copyright Act (“US Act”)¹.

Exemptions to copyright infringement

United States Copyright Act

2. Section 106 of the US Act sets out the exclusive rights which a copyright owner enjoys. These rights are not absolute and are subject to various exemptions contained in sections 107 to 122 of the US Act. Most of them are quite specific, applying in only very special contexts. The “fair use” exemption provided in section 107 of the US Act² however is a more general one and can apply to a wide range of situations. Under this section, fair use of copyright works for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, are regarded as examples of acts normally not constituting infringement of copyright. The term “fair use” is not defined in the US Act. Instead, section 107 states that in determining whether the use made of a work is fair use the factors to be considered shall include:-

- (a) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

¹ The full version of the US Act may be found at <http://www.copyright.gov/title17/>

² See Annex.

- (b) the nature of the copyrighted work;
- (c) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (d) the effect of the use upon the potential market for or value of the copyrighted work.

3. The US Act provides no direction on how to evaluate the four factors or on how much weight to give each of them. It is mentioned in the judgement of a number of US cases that these four factors are not meant to be exhaustive. However, it is not clear from these cases as to what other factors that the court would take into account when determining whether the use made of a work is a fair use. We set out below the brief explanation to each of the four factors as suggested by case law and some authoritative commentaries.

(a) Purpose and character of use

4. Whether a copy in question is used for commercial or noncommercial purpose is but one of the considerations under this factor. The US Supreme court had once presumed that making copies of a copyright work for a commercial or profit-making purpose would be unfair, and a finding that the defendant's use involved a "non-commercial, non-profit activity" would support a presumption that the use was fair. This presumption however no longer exists. In a subsequent case, the US Supreme Court rejected any evidentiary presumption of unfairness in every case of commercial use of copyright material, and pointed out that the commercial or nonprofit educational purpose of use of a work was only one element that should be weighed in a fair use enquiry. In this particular case, the court went on to say that the central purpose of the enquiry under this factor was to see whether the material had been used to help to create "something new". In other words, the question is whether and to what extent the new work is "transformative". According to the court, the more transformative the new work, the less would be the significance of other factors (like commercialism) that might weigh against a finding of fair use. For example, a parody³ may be regarded as fair use irrespective of whether it is used for commercial purpose if it

³ Parody is a writing or music intended to amuse, which recognizably copies the style of a known writer or musician.

transforms the original by holding it up to ridicule.

(b) Nature of the Copyrighted Work

5. There is more leeway to copy from factual works such as biographies than from fictional works such as plays or novels. In addition, the case for fair use is stronger if the material is copied from a published work than an unpublished work. This is because with unpublished works, the author should have the right to control the first public appearance of his expression.

(c) Amount and Substantiality of the Portion Taken

6. This factor requires both a quantitative and qualitative assessment of the portion of the work that has been copied. The quantitative assessment requires that the amount of copying be measured. Beyond the rule of “*de minimis*” (i.e. where the amount of material copied is so small that the court permits it without even conducting a fair use analysis), the less one takes, the more likely that copying will be excused as a fair use. However, if the portion taken is the “heart” of the work (e.g. the most memorable part of a song), then even though that part is a small portion of the original work in terms of quantity, it may still not be regarded as “fair use” upon the qualitative assessment.

(d) The Effect of the Use upon the Potential Market

7. This factor looks at whether the use of a work deprives the copyright owner of income or undermines a new or potential market for the copyrighted work.⁴ Such use may not be regarded as “fair use” even if the copied work is not competing directly with the original work.⁵

⁴ The US courts have in a number of cases identified this factor as the most important element of fair use.

⁵ For example, in a US case, an artist used a copyrighted photograph without permission as the basis for wood sculptures, copying all of the elements of the photo. The artist earned several hundred thousand dollars selling the sculptures. When the photographer sued, the artist claimed his sculptures were a fair use because the photographer would never have considered making sculptures. The court disagreed, stating that it did not matter whether the photographer had considered making sculptures; what mattered was that a potential market for sculptures of the photograph existed.

Hong Kong Copyright Ordinance

8. The HK Ordinance provides various exclusive rights to copyright owners⁶, but at the same time exempts certain acts from copyright infringement. The exemptions are known as “permitted acts” and are set out in sections 37 to 88 and 240 to 261. These “permitted acts” exemptions are subject to a primary consideration as provided under section 37(3) that the act does not conflict with a normal exploitation of the work by the copyright owner and does not unreasonably prejudice the legitimate interests of the copyright owner. In addition, each of the permitted acts is subject to different conditions being satisfied before it could be exempted. For example, under section 38 of the Copyright Ordinance, use of a work for the purposes of research or private study may be exempted, provided that such use amounts to a “fair dealing”.⁷

Comparison

Open-ended vs. Exhaustive approach

9. As aforementioned, section 107 of the US Act lists out six types of purposes (namely, reproduction for criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research), uses for which are normally regarded as fair uses. However, the list is not intended to be exhaustive or to single out any particular use as presumptively a ‘fair use’. The types of purposes referred to in section 107 are but *examples* of what the courts and the Congress have commonly found to be fair uses. There may be cases where the copyright work is not used for any of the purposes listed, but may nonetheless be regarded as “fair use” in the circumstances of the case⁸.

⁶ These are known as “acts restricted by copyright” and are set out in Sections 22 to 29 of the Copyright Ordinance.

⁷ The expression “fair dealing” is not defined in the HK Ordinance. Under Section 38(3), the factors to be considered in determining whether any dealing with a work is “fair dealing” include:

- (a) the purpose and nature of the dealing;
- (b) the nature of the work; and
- (c) the amount and substantiality of the portion dealt with in relation to the work as a whole.

It appears that the factors set out in Section 38(3) are not intended to be exhaustive. There is also the reference to the “fair dealing” requirement in Sections 39 and 241.

⁸ For example, in a court case in US, it was held that parody, like other comment or criticism, may claim fair use.

On the other hand, the fact that a copyright work was used for one of those purposes does not automatically render that use “fair”. Each case must be decided on its own facts, having regard to the factors set out in Section 107 of the US Act.

10. In contrast, the HK Ordinance prescribes an exhaustive list of “permitted acts” which would not be treated as copyright infringement. These are set out specifically in the HK Ordinance⁹ and are subject to specific conditions as described in paragraph 8. If use of a copyright work does not fall under any of the “permitted acts”, it would be strictly prohibited, even though it may fall within the “fair use” doctrine under the US Act.¹⁰

Users of copyright works

11. Section 107 of the US Act exempts fair use by any person. In contrast, some of the “permitted acts” under the HK Ordinance only allow uses by certain classes of people or organisations. For example, section 41 only permits non-reprographic copying by a person giving or receiving instruction. Similarly, section 45 only permits reprographic copying by educational establishments.

Types of copyright works

12. Section 107 of the US Act applies to all types of copyright work. Under the HK Ordinance, however, while some “permitted acts” apply to all types of copyright works¹¹, some are limited to certain types of copyright works only, e.g., recording by educational establishments of broadcasts and cable programmes¹²; reprographic copying made by educational establishments of passages from published literary, dramatic

⁹ Sections 37 to 88, 240 to 261

¹⁰ For example, in a US case, disparaging statements about a Reverend were published in a magazine. The Reverend made unauthorised copies of the article and distributed them as part of a fund-raising effort to help finance his lawsuit against the magazine. The Court held that although the purpose of the copying was clearly commercial in nature, the copying did not diminish the sales of the magazine and would not adversely affect the marketability of back issues. It was therefore held that the copying constituted “fair use”. The same act would probably not be permitted under the HK Copyright Ordinance as copying for fund-raising purposes is not one of the permitted acts.

¹¹ Sections 38 and 39

¹² Section 44.

or musical works¹³ and inclusion of a short passage from a published literary or dramatic work in a collection for educational use¹⁴.

Conclusion

13. To conclude, provisions setting out exemptions to the exclusive rights of the copyright owners can be found under the copyright laws in both the US and HK. However, compared with the permitted acts under the HK Ordinance, the “fair use” doctrine under the US Act is more flexible in terms of scope. As indicated in a LegCo Brief in March 2002, we propose to revamp our “permitted acts” exemption provisions along the line of the open-ended approach adopted by the US. We will discuss with copyright owners and users and prepare legislative proposals on this for the consideration of LegCo in due course.

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Commerce, Industry and Technology Bureau
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¹³ Section 45.

¹⁴ Section 42.

Section 107 of the United States Copyright Act 1976

Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include -

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.